

State of California
Business, Transportation and Housing Agency
Department of Transportation

POLICY MATTERS
Future Funding Needs For STIP Projects Not
Currently Programmed Through Construction
Information Item

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FUTURE FUNDING NEEDS FOR STIP PROJECTS
NOT CURRENTLY PROGRAMMED THROUGH CONSTRUCTION

SUMMARY

At the August 22-23, 2001 California Transportation Commission (CTC) meeting, the Commission requested that the Department provide information on future funding needs for currently programmed State Transportation Improvement Program (STIP) projects that are not currently programmed for all phases of development. The Department's analysis indicates that about \$7 billion in additional funding will be needed during the next ten years to complete funding for projects in the State Transportation Improvement Program (STIP) that are not currently fully funded through construction. While this may initially seem like a very large number, the actual demand for new funds at each STIP cycle can be managed.

DISCUSSION

Senate Bill 45 (SB 45) allows programming of State Transportation Improvement Program (STIP) projects in sequential increments for the four phases or components of development commonly known as Environmental, Design, Right of Way and Construction. Each component must be fully funded, but all components need not be programmed at once. SB 45 requires that the total project cost be counted against the distributed shares of available STIP funding, but the incremental programming feature actually allows environmental review to proceed on more projects so sponsors can define each project better before the final construction components are programmed. Assembly Bill 1012 (AB 1012) expanded on this theme by adding an Advance Project Development Element (APDE) to the STIP which makes projected funding from future years available to fund the Environmental and Design components of even more projects.

These two legislative changes recognized that it takes many years to fully develop the large, capacity increasing projects traditionally programmed in the STIP and were designed to improve resource management and the programming process. Prior to these changes, the capital funding needed for both the Right of Way and Construction phases was programmed before the Environmental phase had even begun. This often tied up excessive programming capacity because the costs, scopes and schedules of projects were difficult to predict before the critical environmental studies were complete and a preferred alternative selected. Because all projects were fully programmed, it was difficult to replace projects that developed problems and the State Highway Account (SHA) cash balance grew even as the demand for transportation improvements skyrocketed. Incremental programming recognizes that individual projects sometimes take longer than expected to complete the Environmental phase and that "No Build" is sometimes the preferred alternative. The process now has the flexibility to allow the acceleration of some projects to use available funding when others take longer than expected or are dropped. The challenge is to not start more than can reasonably be expected to be funded before documents and decisions become dated.

The Department analyzed the projects currently programmed in the 2000 STIP that are not fully funded through construction to determine the level of funding needed to complete the projects. Summaries of the analysis, including the distribution of funding needs for future STIP cycles, are attached. The analysis indicates that approximately \$6.7 billion may be needed during the next ten years for 124 State Highway projects. Some of these projects are jointly funded with contributions from Local agencies and/or the Governor's Traffic Congestion Relief Program (TCRP). There are also about 80 non-State Highway or off system projects that will need additional funding. Data is only available for 33 of the 80 off system projects, but those will need about \$427 million in future STIP cycles. The Commission may want to enforce the STIP Guidelines that require all project sponsors to provide estimates of future funding needs for all partially programmed projects so that a more complete analysis can be done of the off system projects. There may also be funding demands on the STIP to augment local funds that will be needed to complete the TCRP projects.

While it was appropriate to aggressively program projects in the 1998 and 2000 STIPs to ensure that the SHA cash balance could be put to work, the Department believes that it is now important to complete financial plans for all currently programmed projects before additional commitments are made in the 2002 STIP. This will ensure the need for funding to complete projects that have already been started is balanced with the necessity of keeping a steady stream of projects in development for future STIP cycles. Plans for larger mega-projects that exceed \$60 or \$70 million are particularly important because they may need to utilize innovative financing strategies and participation from many partners to reach fruition.

CONCLUSION

With sound planning and aggressive management, the Department believes that incremental programming of STIP projects is appropriate for most projects and that most projects in the STIP will have funding available when needed to proceed to the next stage of development.

Incremental programming is an important tool to optimize the benefits from available transportation funding because project delivery of most STIP projects will continue to take many years; some projects may be delayed; some projects may be dropped for reasons ranging from environmental issues to changes in priorities; and the costs for some projects will change when the preferred alternative is selected. Our State is diverse and dynamic, so it is important we maximize our flexibility to address emerging needs and that we always have new projects entering the initial environmental study phase. Incremental programming gives the Commission flexibility to address the highest priority transportation needs efficiently.

Management of costs, scopes, and schedules for projects in the STIP is critical. Accurate forecasting of future funding needs depends on strict enforcement of the Commission's STIP Guideline requirement that all STIP nomination packages include an estimate of all future funding needs for every project. The Department and local project sponsors also need to develop and continually update financial plans for all STIP projects, particularly larger projects with total costs above \$60 or \$70 million.